



## Legislative Department Seattle City Council Memorandum

**Date:** September 26, 2011  
**To:** Members, Housing, Human Services, Health and Culture Committee  
**From:** Sara Belz, Central Staff Analyst (4-5382) and Amy Gray, Office of Housing (4-0262)  
**Subject:** **Council Bill (CB) 117298:** Proposed modification of replacement housing requirements for the Multifamily Tax Exemption (MFTE) Program

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CB 117298 would amend subsection 5.73.040.A.7 of the Seattle Municipal Code (SMC) to clarify requirements related to the replacement of certain housing units that are demolished prior to or in connection with new construction of multifamily housing for which a tax exemption is sought under the City's MFTE Program.

The Office of Housing (OH) administers the City's MFTE Program, which provides a tax exemption on the residential portion of a qualifying project for up to 12 years. To be eligible for a tax exemption under the MFTE Program, at least 20 percent of the housing units in a rental project must meet specified affordability requirements. For homeownership projects, the exemption applies only to the affordable for-sale units.

Several years ago the City Council added a provision to the MFTE Program requirements in the SMC relating to projects that require demolition of certain housing units. More specifically:

- Any units in a building containing four or more dwelling units that were (a) occupied by low-income tenants who received relocation assistance under the Department of Planning and Development's Tenant Relocation Assistance Program, *and* (b) demolished within the 18 months preceding the submittal of an MFTE Program application must be replaced; and
- The replacement units must be affordable to tenants earning no more than 50% of area median income (AMI) and must remain affordable for twelve years.

Very few of the MFTE applications approved to-date have involved replacement housing. However, OH has learned that demolition of existing housing units on MFTE project sites typically occurs after an MFTE application is submitted. Demolition of the housing units after the date of an MFTE application does not trigger the replacement housing requirements currently included in the SMC.

CB 117298 would amend the existing replacement housing language in the SMC to require replacement housing regardless of whether demolition occurs within the 18 months prior to *or following* the submission of an MFTE application, so long as the affected building(s) contain(ed) four or more dwelling units and at least one of the units was occupied by a tenant who received or was eligible to receive a relocation assistance payment during the 18 months prior to OH's receipt of the MFTE application. The requirements that the replacement units be affordable to households earning no more than 50% AMI and remain affordable for twelve years would be sustained.